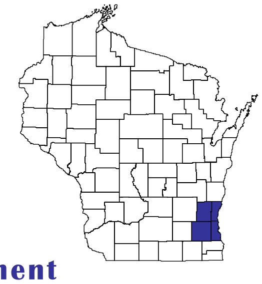
WORKFORCE OBSERVATIONS

for the Milwaukee/WOW counties

Milwaukee County and Washington, Ozaukee and Waukesha Counties



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First Quarter 2006

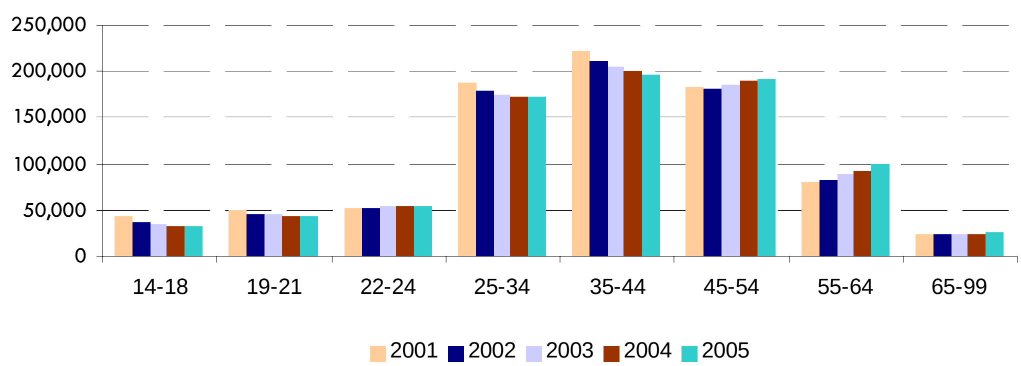
In this issue:

An Aging Workforce Promises Changes on the Horizon

As we review those trends that have and will continue to bear heavily on the Milwaukee-WOW regional economy, despite any possible beginnings, such as growth in residential construction, continued questions about income disparity, and so forth, the conversation almost invariably returns to the state of our rapidly aging workforce. This pattern is particularly fitting in the current year, as 2006 marks the first year in which individuals born during the "Baby Boom" generation (1946-1964) reach the age of 60. With nearly 75 million individuals counting themselves among members of that generation nationally, the impending aging and eventual retirement of this cohort promises to impose unprecedented pressure on many aspects of our national, state, and local economies, not the least of which promises to be a significant shrinkage in the size of the available labor force.

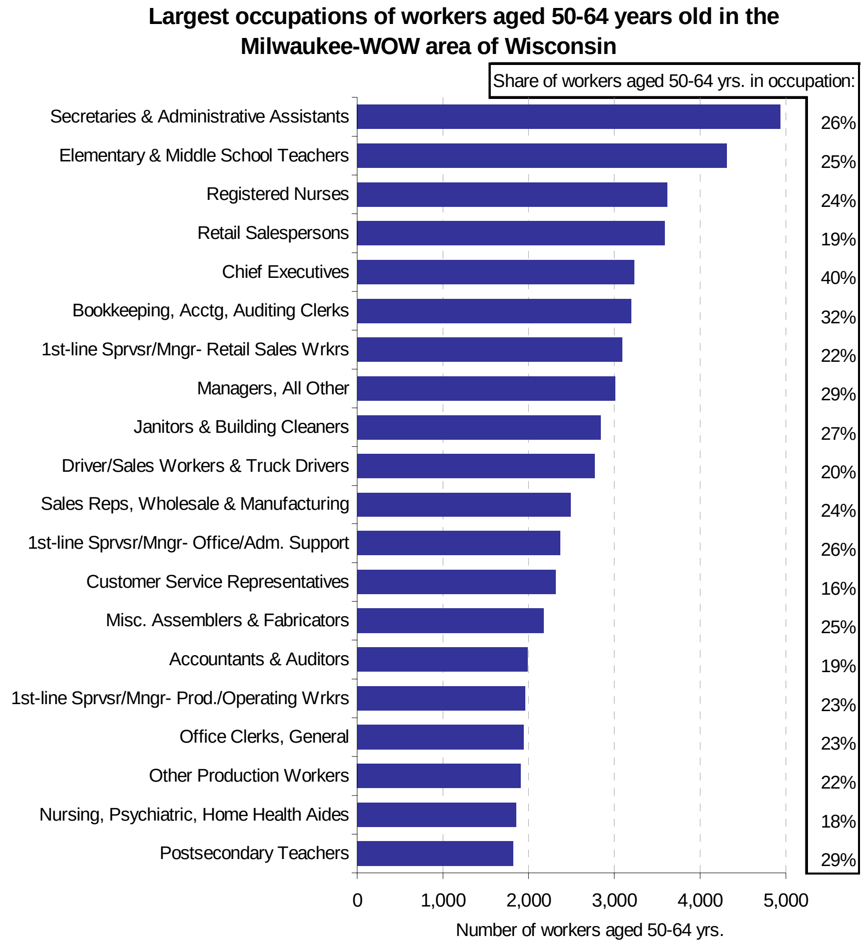
To begin to illustrate a few of the more significant trends, the chart below depicts quarterly estimates of the number of employed workers within various age cohorts, selected for the first quarter of the period 2001-2005. As is quite readily apparent, we see that the region's employed labor force is strongly represented by individuals between the ages of 25 and 54. The concentration in these ranges is characteristic of a normal labor force distribution, as most economists point to this period as the prime working years of an individual's lifetime. However, what is perhaps more significant, and equally troubling is the pattern that is emerging on the fringe of these cohorts. As of the first quarter 2005, the most recent period for which data is available, nearly 100,000 individuals between the ages of 55 and 64 were actively employed in the region's labor force. Taken as a whole, slightly lesser numbers of individuals aged 19-24 were equally employed. This disparity, while presently small, begins to demonstrate one of the key changes that is beginning to occur as a consequence of the aging of the Baby Boom generation — namely that, in certain areas and industries fewer individuals are

Age of Milwaukee/WOW Workers In First Quarter 2001-2005



Source: US Census Bureau, Local Employment Dynamics

Key Occupations Will be Affected



Source:US Census 2000, Public Use Mircrodata file

available to replace those that are actively leaving the labor force. Given the high number of workers aged 44-54 in the region, it can be expected that this pattern will remain largely unchanged for the next several years.

Pinpointing Future Occupational Challenges

While the growing prevalence of mature workers in the regional labor force may lead us to offer some general pronouncements regarding future prospects in a given industry sector, more specific comments require an examination of demographic and occupational data such as that presented in the chart above. This chart has been compiled through an analysis of occupational data collected as part of the 2000 Census, and offers a number of interesting trends of its own.

The first conclusion that can be drawn from an analysis of this data is that a significant number of individuals in the represented cohort are engaged in managerial or supervisory professions, including service as chief executives, the supervision of retail, office, and production workers, as well as other types of managerial occupations. Individuals in these types of occupations account for nearly 13,400 of workers in this sample, or 13.3 percent. Similarly, a review of this ranked data reveals an equally strong emphasis on workers employed in office support occupations, such as administrative and executive assistants, bookkeeping, accounting, and auditing clerks, accountants and auditors, and other general office staff. The long term impact of this concentration is reflected in the region's long-term occupational projections, which suggests that the office/administration support occupational group will grow by only 7.6 percent between 2002-2012, compared to a growth rate of 15.1 percent for all occupational groups in the region. Similarly, it is anticipated that replacement positions will outnumber newly-created positions by a three-to-one margin on an annual basis.

A third area of concern that is raised in this analysis is that the distribution includes strong representation by health care professionals, including registered nurses, nursing, psychiatric, and home health aides. This is particularly notable as the region is currently experiencing a significant shortage of skilled health care workers across all occupations, but particularly in the nursing field. As approximately one-quarter of all nurses employed in the region fall within this age cohort, one can conclude that the future demand for workers in these occupations will increase over their current high levels, which is represented by the demand for 700 additional registered nurses on an annual basis alone.

One final specific area of interest concerns the significant role that individuals aged 50-64 in the Milwaukee/WOW region play in the education sector. As the chart suggests, individuals in this cohort represent one quarter of the region's elementary and middle school teachers, and 29 percent of its postsecondary (technical college, college, and university) teachers. At first blush, this concentration suggests that the region is served by a number of highly experienced and tenured individuals. However, when taking this finding in consideration of the slowing hiring patterns experienced by school districts throughout the region in response to increasing budgetary pressures, we begin to see a widening gap between the relatively small number of newer young teachers and their more seasoned colleagues. As such, one must expect that the education sector will experience a moderate labor shortage in this area within the next five to ten years.

Labor Force and Employment Data

	Labor Force	# of Employed	# of Unemployed	Unemploy. Rate
	First Quarter 2006			
Milwaukee County	452,000	424,500	27,500	6.1%
Ozaukee County	47,300	45,500	1,800	3.9%
Washington County	70,800	67,500	3,300	4.7%
Waukesha County	209,800	201,000	8,800	4.2%
Mil/Wauk/W Allis MSA	779,900	738,400	41,500	5.3%
Brookfield City	19,800	19,100	700	3.6%
Franklin City	17,700	17,000	700	3.9%
Greenfield City	19,900	19,000	900	4.7%
Menomonee Falls Village	18,500	17,700	800	4.1%
Milwaukee City	266,000	246,100	19,800	7.5%
New Berlin City	21,900	21,000	900	4.1%
Oak Creek City	19,000	18,200	800	4.2%
Waukesha City	38,700	36,600	2,100	5.5%
Wauwatosa City	24,300	23,300	1,000	4.0%
West Allis City	32,200	30,400	1,800	5.5%
West Bend City	16,200	15,100	1,100	7.0%
Wisconsin	3,042,800	2,877,800	165,000	5.4%
United States	149,601,000	142,082,300	7,518,300	5.0%
	Change Compared to Previous Quarter			
Milwaukee County	-2,900	-6,000	3,100	0.7%
Ozaukee County	-340	-640	300	0.7%
Washington County	-230	-950	720	1.0%
Waukesha County	-1,120	-2,830	1,710	0.8%
Mil/Wauk/W Allis MSA	-4,600	-10,400	5,800	0.8%
Brookfield City	-190	-270	70	0.4%
Franklin City	-140	-240	100	0.6%
Greenfield City	-80	-270	180	0.9%
Menomonee Falls Village	-90	-250	160	0.9%
Milwaukee City	-1,460	-3,460	2,000	0.8%
New Berlin City	-150	-300	150	0.7%
Oak Creek City	-140	-260	110	0.6%
Waukesha City	-50	-510	460	1.2%
Wauwatosa City	-220	-330	110	0.5%
West Allis City	-90	-430	340	1.1%
West Bend City	70	-210	280	1.7%
Wisconsin	100	-37,820	37,940	1.2%
United States	-525,300	-589,330	63,330	0.1%
	Change Compared to Same Quarter, Previous Year			
Milwaukee County	-3,300	-2,400	-900	-0.1%
Ozaukee County	-350	-260	-90	-0.2%
Washington County	-590	-380	-210	-0.3%
Waukesha County	-1,460	-1,130	-330	-0.1%
Mil/Wauk/W Allis MSA	-5,700	-4,200	-1,500	-0.2%
Brookfield City	-110	-110	0	0.0%
Franklin City	-120	-100	-30	-0.1%
Greenfield City	-120	-110	-10	0.0%
Menomonee Falls Village	-130	-100	-30	-0.1%
Milwaukee City	-2,190	-1,390	-800	-0.2%
New Berlin City	-160	-120	-40	-0.1%
Oak Creek City	-190	-100	-90	-0.4%
Waukesha City	-180	-210	20	0.1%
Wauwatosa City	-110	-130	20	0.1%
West Allis City	-250	-170	-80	-0.2%
West Bend City	-170	-90	-80	-0.4%
Wisconsin	29,000	34,910	-5,910	-0.2%
United States	1,453,000	1,709,000	-256,670	-0.2%

Source: DWD Office of Economic Advisors analysis of data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. Data are not seasonally adjusted and are preliminary.

The unemployment rate in the Milwaukee/WOW region for the first quarter of 2006 was 5.3 percent. This represents an 0.8 percent increase from the fourth quarter 2005, which is to be expected considering the impact of a number of seasonal factors that traditionally impact employment patterns during this transition, including the end of the holiday shopping season in the retail trade sector, the end of a majority of outdoor construction activity, and a tendency for manufacturing output to slow towards the end of a calendar year. As each of these patterns occurred generally as expected throughout the region in 2005 and early 2006, this increase should not cause much concern.

More significant, however, is the recognition that the region's quarterly unemployment rate stands at 0.2 percent lower than the same period one year ago. While this advance suggests that the region has been able to retain many of the economic gains made in 2005, the rate change is actually a result of parallel decreases in regional employment and the regional labor force, which shed approximately 5,700 individuals from its ranks over the period. Similar changes have affected labor markets at the county and municipal levels over the same period, as indicated in the table at left.

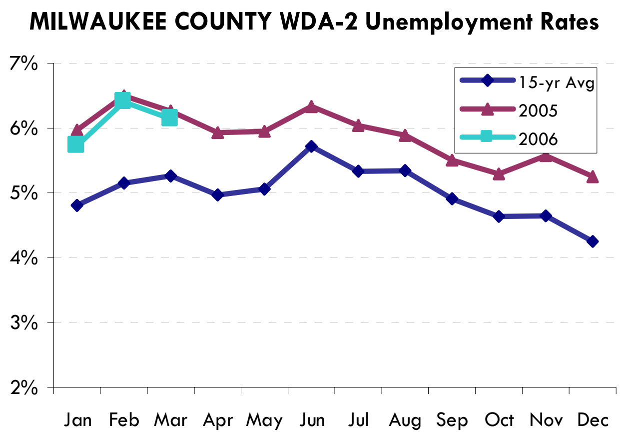
The table on page 4 presents a summary of industry employment data for the first quarter. Among the most interesting developments to be noted in this data is that the region did experience the same general trends in its major industry sectors as previously discussed. Retail trade employment decreased by approximately 6,000 positions as compared to the previous quarter, with the construction sector also exhibiting a modest decline. What is perhaps most interesting is the 6,200 position decline in employment in the professional and business services sector in the first quarter. While it is rather difficult to identify specific causes for this shift, one can generally conclude that a movement away from the use of temporary and professional placement firms to fill their short-term and permanent placement needs. As such, we would expect to see these individuals being reported on the payrolls of established firms, which is increasingly being the case.

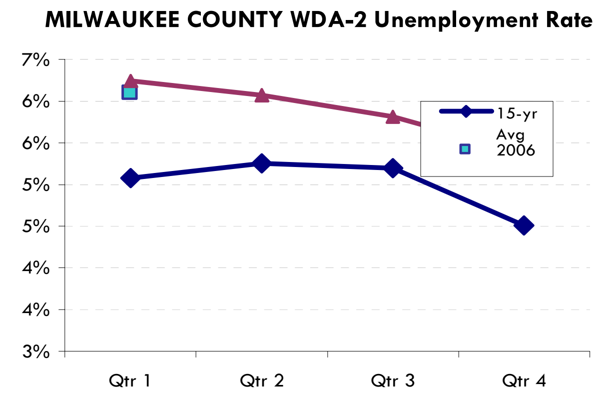
Local/State/National Quarterly Industry Employment

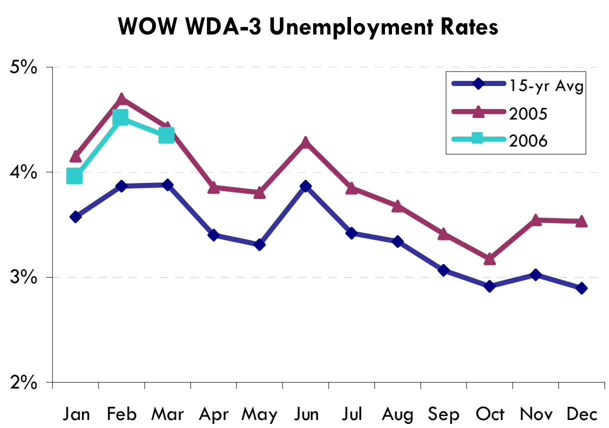
	Avg. # of Nonfarm Jobs by Industry Sector			Industry Sector as a % of Total Nonfarm Employment		
	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA
	Q1-2006	Q1-2006	Q1-2006	Q1-2006	Q1-2006	Q1-2006
All Industries	133,279,900	2,805,900	816,800	100.0%	100.0%	100.0%
Construction/Natural Resources	7,710,000	124,100	32,800	5.8%	4.4%	4.0%
Manufacturing	14,127,300	502,300	133,200	10.6%	17.9%	16.3%
Retail Trade	20,852,600	309,300	76,700	15.6%	11.0%	9.4%
Wholesale Trade	5,768,700	116,300	39,500	4.3%	4.1%	4.8%
Transport/Warehouse/Utilities	15,083,900	102,800	27,400	11.3%	3.7%	3.4%
Financial Activities	8,217,300	157,100	57,800	6.2%	5.6%	7.1%
Education and Health Services	17,637,300	389,800	133,000	13.2%	13.9%	16.3%
Leisure and Hospitality	12,448,300	249,200	65,700	9.3%	8.9%	8.0%
Info./Prof./Bus.and Other Services	25,287,700	435,700	159,100	19.0%	15.5%	19.5%
Information	3,056,300	48,900	17,600	2.3%	1.7%	2.2%
Professional and Business Services	16,874,000	252,500	100,500	12.7%	9.0%	12.3%
Other Services	5,357,300	134,300	41,000	4.0%	4.8%	5.0%
Fed/State/Local Government	22,097,300	419,400	91,600	16.6%	14.9%	11.2%
	Change in Avg. # of Jobs Compared to Previous Quarter			% Change in Avg. # of Jobs Compared to Previous Quarter		
All Industries	36,300	-69,400	-21,600	0.0%	-2.4%	-2.6%
Construction/Natural Resources	-37,000	-14,400	-3,100	-0.5%	-10.4%	-8.6%
Manufacturing	-235,000	-5,800	-300	-1.6%	-1.1%	-0.2%
Retail Trade	-324,400	-14,900	-6,000	-2.1%	-4.6%	-7.2%
Wholesale Trade	78,400	-2,200	-400	1.4%	-1.8%	-0.9%
Transport/Warehouse/Utilities	3,300	-3,300	-700	0.1%	-3.1%	-2.4%
Financial Activities	117,700	-100	300	1.5%	0.0%	0.5%
Education and Health Services	341,300	-5,000	-1,700	2.0%	-1.3%	-1.3%
Leisure and Hospitality	76,300	-8,200	-2,100	0.6%	-3.2%	-3.1%
Info./Prof./Bus.and Other Services	-5,300	-11,100	-6,800	0.0%	-2.5%	-4.1%
Information	-77,300	-300	0	-2.5%	-0.5%	0.0%
Professional and Business Services	143,000	-11,200	-6,200	0.9%	-4.3%	-5.8%
Other Services	-71,000	400	-600	-1.3%	0.3%	-1.5%
Fed/State/Local Government	21,000	-4,300	-800	0.1%	-1.0%	-0.8%
	Change in Avg. # of Jobs Compared to Same Quarter in 2005			% Change in Avg. # of Jobs Compared to Same Quarter in 2005		
All Industries	4,159,700	37,400	-7,600	3.2%	1.4%	-0.9%
Construction/Natural Resources	688,700	9,600	2,200	9.8%	8.4%	7.2%
Manufacturing	-60,300	4,000	-300	-0.4%	0.8%	-0.2%
Retail Trade	311,500	900	-4,500	2.1%	0.3%	-5.5%
Wholesale Trade	185,100	1,400	-300	3.3%	1.2%	-0.8%
Transport/Warehouse/Utilities	162,700	-3,200	-2,900	3.4%	-3.0%	-9.7%
Financial Activities	269,700	-900	800	3.4%	-0.6%	1.3%
Education and Health Services	788,000	10,900	1,200	4.7%	2.9%	0.9%
Leisure and Hospitality	556,700	14,100	1,700	4.7%	6.0%	2.6%
Info./Prof./Bus.and Other Services	920,700	-400	-4,500	3.8%	-0.1%	-2.7%
Information	-69,700	-600	-500	-2.2%	-1.1%	-2.8%
Professional and Business Services	1,001,700	500	-3,600	6.3%	0.2%	-3.4%
Other Services	-11,300	-400	-400	-0.2%	-0.3%	-1.0%
Fed/State/Local Government	337,000	1,000	-900	1.5%	0.2%	-0.9%

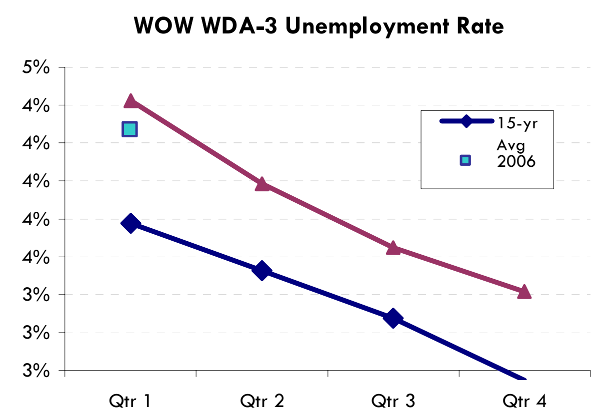
Source: DWD Office of Economic Advisors analysis of Current Employment Statistics (CES) data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. These not seasonally adjusted, preliminary figures are rounded and may not sum to the all industries total.

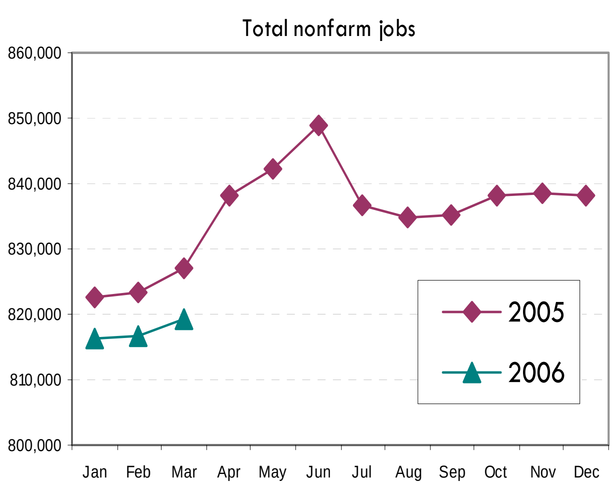
First Quarter Economic Indicators











Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter Qtr 2 2005	Qtr 3 2005	Qtr 4 2005	Qtr 1 2006	over yr Qtr 1 2005
United States	1.3%	1.2%	0.5%	0.5%	3.6%
Midwest cities (50,000-1.5 million pop.)	1.2%	1.2%	0.5%	0.2%	3.2%
Midwest cities (less than 50,000 pop.)	1.5%	1.7%	0.3%	0.2%	3.7%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	0.6%	0.9%	0.5%	####	1.1%
Private industry total compensation	0.7%	0.6%	0.4%	####	1.1%
Local & state govt. total compensation	0.3%	1.8%	1.0%	####	0.9%
Civilian wages	0.5%	0.8%	0.6%	####	0.7%
Private wages	0.6%	0.7%	0.5%	####	0.7%
Local & state government wages	0.2%	1.3%	0.9%	####	0.6%
Civilian benefits	0.7%	1.1%	0.4%	####	2.2%
Private industry benefits	0.8%	0.7%	0.2%	####	2.3%
Local & state government benefits	0.5%	3.0%	1.1%	####	1.4%

Source: US Bureau of Labor Statistics current quarter

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